



**Prime Success International Group Limited**

**永恩國際集團有限公司**

**2004 Interim Results Announcement**

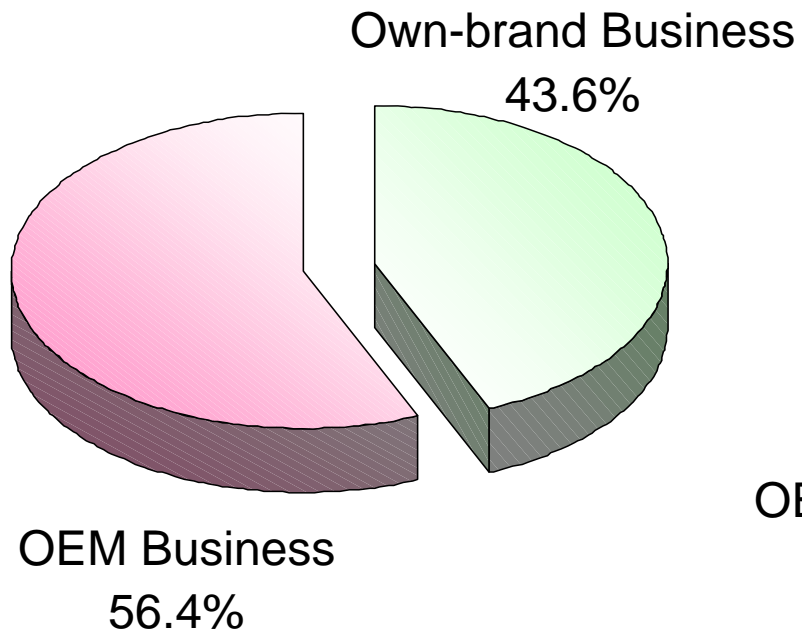
**2004年9月23日**

# Performance Highlights

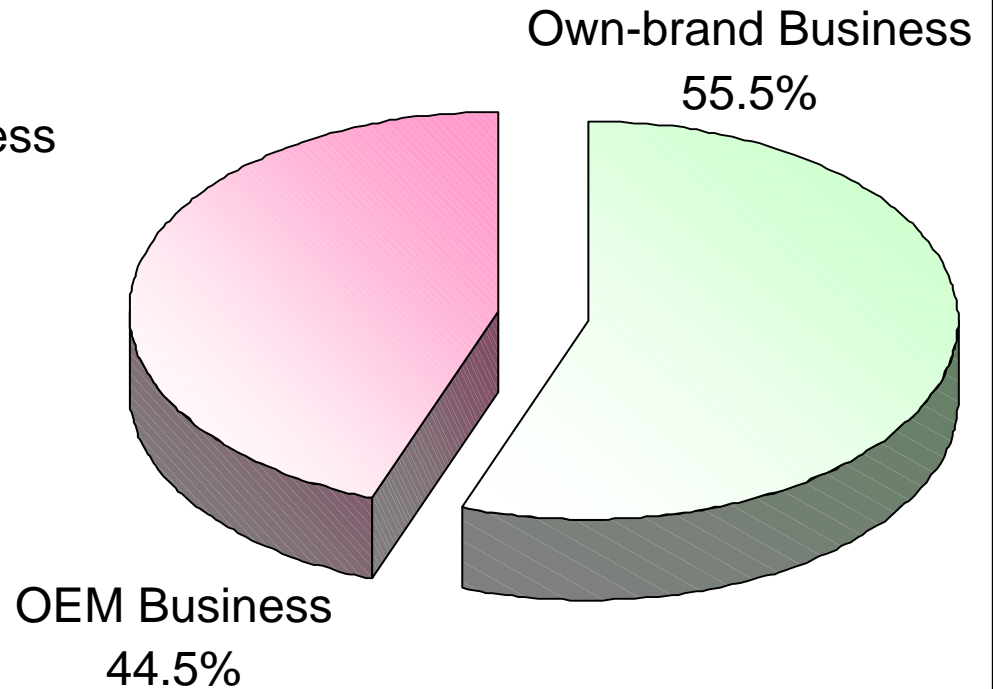
- Recorded remarkable interim results with turnover reaching HK\$839,600,000
- Net profit surged 2.2 times to HK\$66,000,000, basic earnings per share was HK 4.26 cents
- OEM business recorded a steady turnover of HK\$373,600,000
- Own-brand “Daphne” business reported a great increase of 59% in turnover
- As for new brand “Shoebox” business, 5 mega stores were opened
- Business of the exclusive retail shop right for the “Adidas” “Original Collection” in the PRC generated a total agency fee of HK\$900,000 for the Group
- Interim dividend of HK 1.50 cents per share was declared

# **Business Review**

# Turnover Breakdown by Business



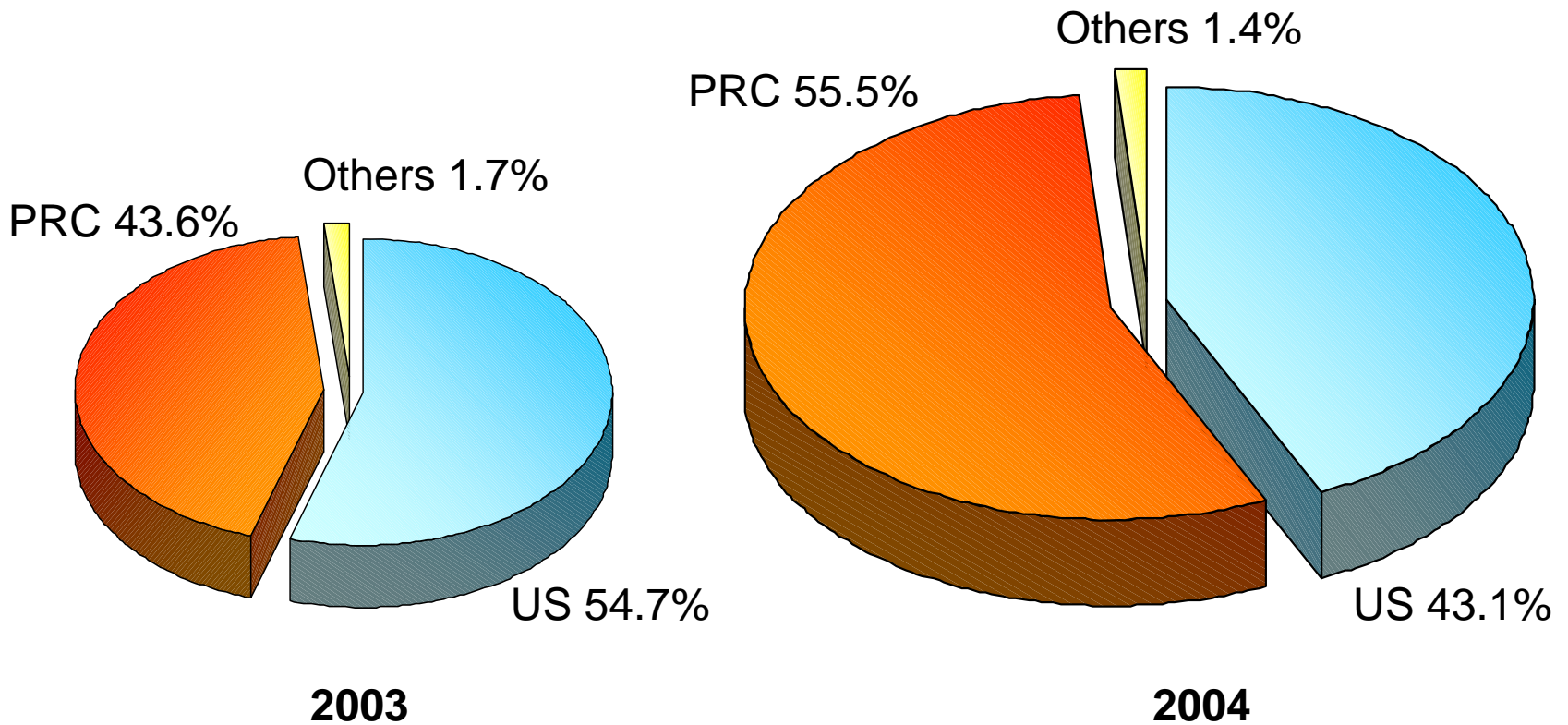
**2003**



**2004**

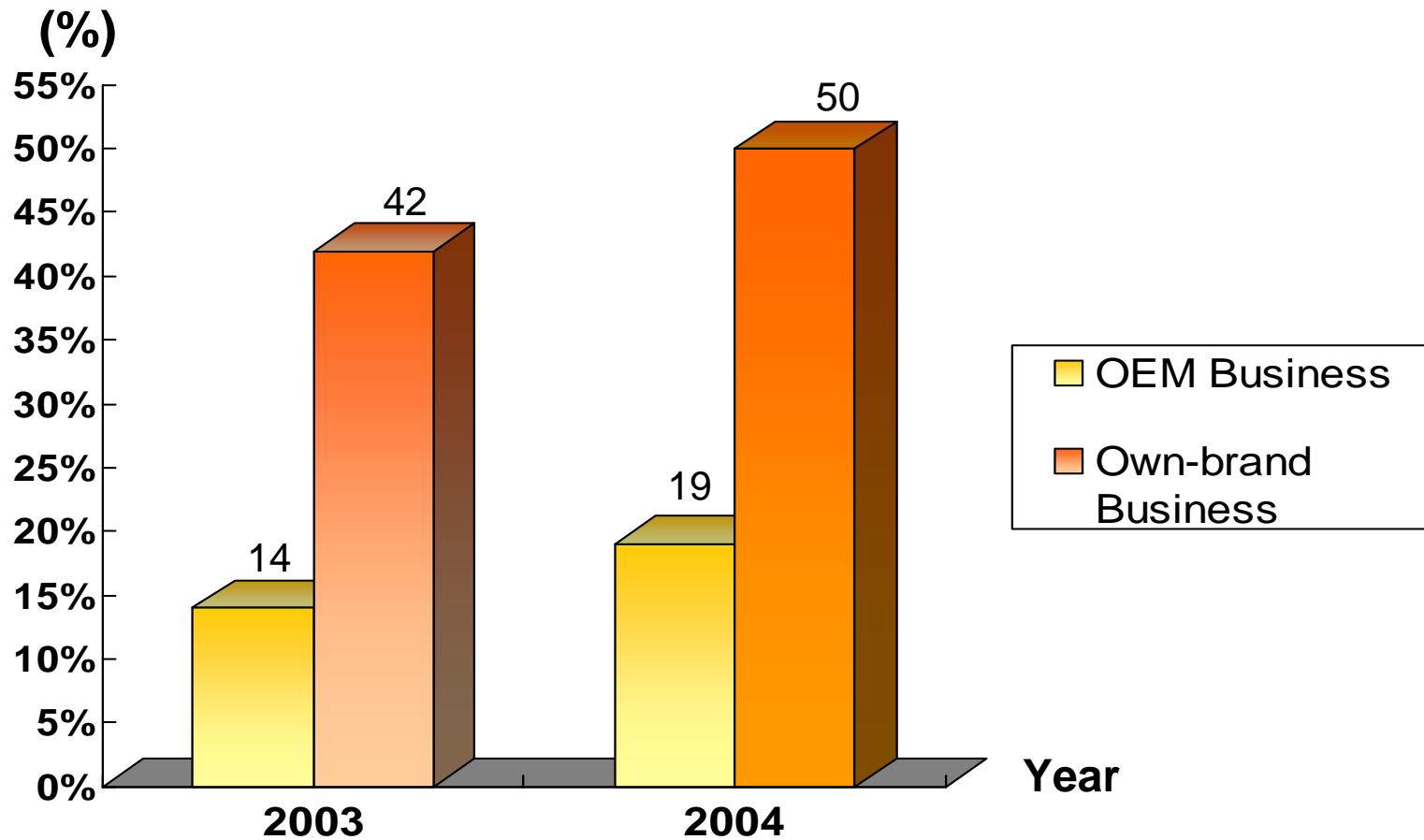
For the six months ended 30 June

# Turnover Breakdown by Market



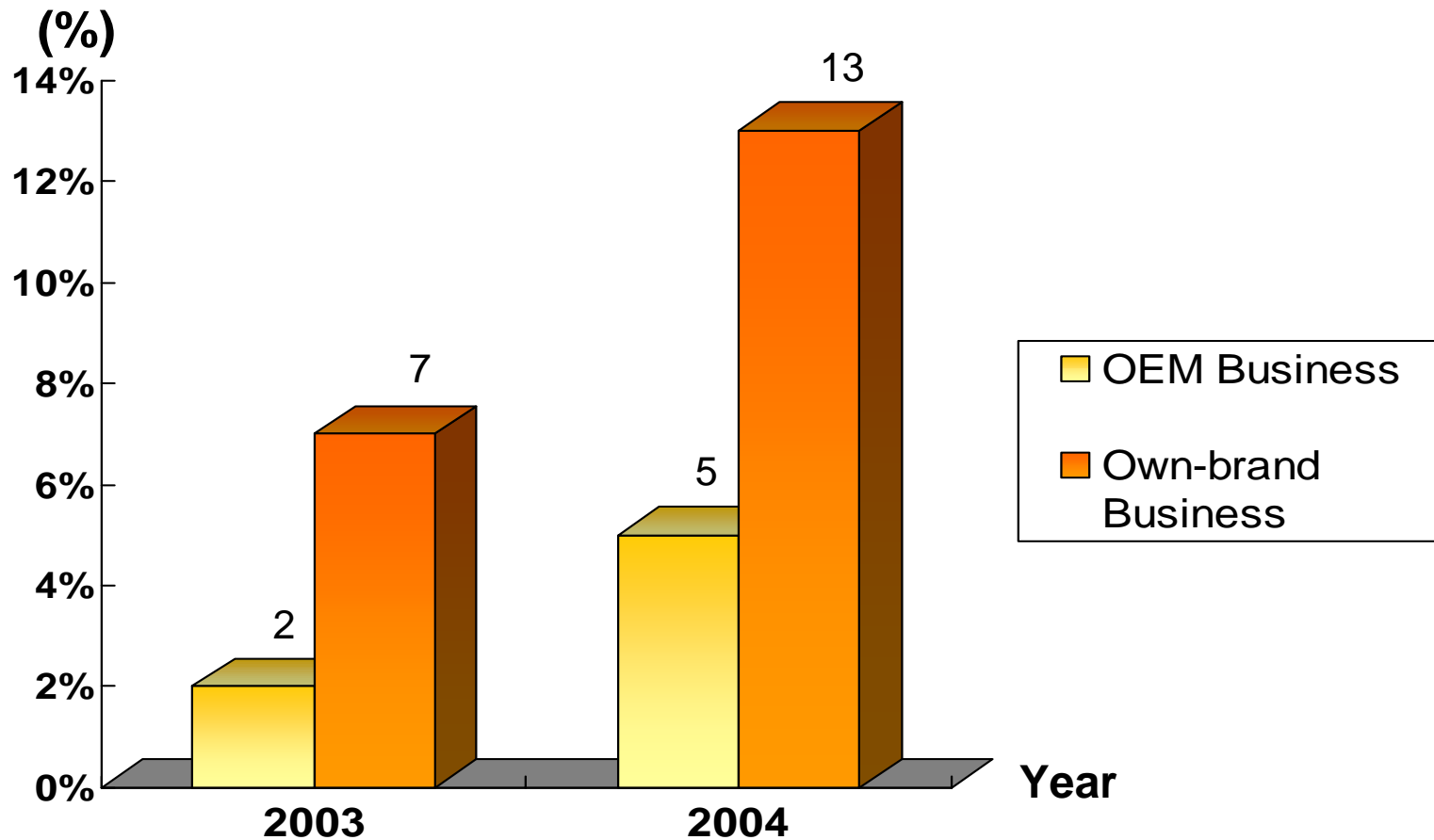
For the six months ended 30 June

# Gross Profit Margin Analysis



For the six months ended 30 June

# Net Profit Margin Analysis



For the six months ended 30 June

# OEM Business

- Turnover reached HK\$373,600,000 (2003: HK\$380,200,000)
- Leveraging on a series of stringent cost control measures and adopting the strategy of focusing on the production of high margin products, operating profit in this segment increased by 1.49 times to HK\$19,700,000 (2003: HK\$7,900,000)
- Major export market: the US
- Order on hand: over HK\$200,000,000



# Own-brand Business – “Daphne”

- The Group’s major business in the PRC, including integrated manufacturing and distribution
- Reported a record high of HK\$466,000,000 in turnover, representing an increase of 59% (2003:HK\$293,700,000)
- Operating profit surged approximately 1.99 times to HK\$60,400,000 (2003: HK\$20,200,000)
- Over 2,000 selling points distributed throughout the PRC, including 600 “Daphne” specialty shops and 262 “Daphne” counters in department stores
- Well-established sales and distribution network throughout the PRC
- Scalable customer base provides stable income for the Group

# Newly Added Own-brand Business – “Shoebox”

- A new brand targeting both genders and various age groups, aims at further expanding the Group’s customer portfolio and penetrating into the mass market
- An agent was appointed by the Group to open “Shoebox” mega stores in major cities
- 5 “Shoebox” mega stores in Zhengzhou, Yangzhou, Suzhou, Shanghai and Wuhan respectively were opened around May to June this year

# “Adidas” Exclusive Retail Shop Right

- Through appointed agent, the Group had opened 29 exclusive specialty shops and counters for “Adidas” “Original Collection” in major cities in the PRC
- Generated a total agency fee of HK\$900,000 in the review period
- Leveraging Prime Success’ solid experience for distribution business in the PRC and benefiting from recent mega sports events such as the earlier 2004 Athens Olympic and 2008 Beijing Olympic, Adidas business will continue to grow with huge potential

# Development of Infrastructure

- The Group's production plants in Fujian and Jiangsu had commenced operations
- The logistic centre in Shanghai with an investment of HK\$12,700,000 had commenced operation, further reducing costs and allowing the Group to enjoy economies of scale
- Construction of other logistic centres, located in major cities like Beijing, Shenyang and Fujian are to be completed by the end of 2005, to achieve an extensive nation-wide sales and distribution network
- The Group recently decided to construct 2 logistic centres in Guangdong and Chengdu in addition

# Financial Performance

# Financial Performance

For the six months ended 30 June

	<b>2004</b> <b>(HK\$'000)</b>	2003 (HK\$'000)	<b>Change</b> <b>(%)</b>
Turnover	<b>839,600</b>	673,900	<b>+25%</b>
Gross Profit	<b>305,700</b>	177,800	<b>+72%</b>
Gross Profit Margin	<b>36%</b>	26%	<b>improved</b>
Net Profit	<b>66,000</b>	20,700	<b>+2.2 times</b>
Net Profit Margin	<b>8%</b>	3%	<b>improved</b>
Basic Earnings Per Share	<b>HK 4.26 cents</b>	HK 1.38 cents	<b>+2.1 times</b>

# Key Financial Figures

	As at 30 June	As at 31 Dec	
	<b>2004</b>	2003	<b>Change</b>
	<b>(HK\$'000)</b>	(HK\$'000)	<b>(%)</b>
Cash and Cash Equivalent	<b>143,768</b>	146,627	<b>-2%</b>
Shareholders' Fund	<b>450,410</b>	402,910	<b>+12%</b>
Bank Borrowing	<b>107,091</b>	110,313	<b>-3%</b>
Gearing Ratio	<b>23.8%</b>	27.4%	<b>Improved</b>
Current Ratio	<b>1.66 times</b>	1.64 times	<b>Improved</b>
Account Receivable Turnover	<b>22 days</b>	28 days	<b>Improved</b>
Inventory Turnover	<b>138 days</b>	138 days	<b>unchanged</b>

# Prospects



# Diversification of Own-brand Business

- Continue to focus on developing the PRC market with huge potential
- “Daphne”:
  - Plan to open selling points in major cities, the second and the third-tier cities in the PRC, further enhance its market share
  - Aim to increase the number of specialty stores and counters to 700 and 300 respectively within 2004
- “Shoebox”:
  - Currently, 12 mega stores are under operation
  - Target to open a total of 30 stores in 2004
  - Select to cover major cities in the PRC in order to build up an extensive distribution network and enhance the popularity of the brand
- Launch a new brand “Daphne Young” to further enrich its product portfolio

# Capture Business Opportunities in the PRC



# **Q&A Session**